

IN THE SPECIFICATION

Please amend the paragraph beginning on page 8, line 5, as follows:

a) Just as the colors of the left and upper neighbors select which probability to use within a probability model, the colors of the left and upper neighbors can be used to select the next probability set model to use. For example, given that the left and upper neighbors of the current pixel are the same color and the current pixel has the same color, probability set model 305 can be used in determining the probability of the next pixel's color. Or, given that the left and upper neighbors of the current pixel have different colors and the current pixel has the same color as the upper neighbor, probability set model 320 can be used in determining the probability of the next pixel's color. By changing probability models, each probability model tends to become focused on one probability value, which improves compression. In the preferred embodiment, one model is used after one of the five probabilities occurs: that is, probability model 305 is used after the current pixel has the same color as both its left and upper neighbors, probability model 310 is used after the left and upper neighbors have the same color, but the current pixel has a different color, probability model 315 is used after the left and upper neighbors have different colors, and the current pixel has the same color as its left neighbor, probability model 320 is used after the left and upper neighbors have different colors, and the current pixel has the same color as its upper neighbor, and probability model 325 is used after the left and upper neighbors have different colors, and the current pixel has a different color than either its left or upper neighbor.